

**FRANKLIN COUNTY, WASHINGTON**  
**January 1, 1993 Through December 31, 1994**

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**Schedule Of Findings**

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1. The Former County Prosecutor Should Have Adhered To The Budget

The county maintains two departments within the county prosecutor's office, the Criminal department and the Child Support Enforcement (CSE) department. The CSE department was established to account for costs of the CSE grant, and to provide a basis for grant reimbursement requests. Our audit revealed the following budget accountability problems:

Specifically:

- Bills paid were charged to the CSE department without regard for the purpose of the goods or services provided, and without reference to any plan for allocation of joint costs between the two prosecutors office departments. For instance, a November 1993 purchase of a computer, software, training, maintenance, and one year's updates were charged to the CSE department. The audit determined that both the criminal and CSE departments use the computer and software. No justification accompanied the voucher to indicate why cost was not allocated between the two user departments.
- Employee salaries were charged to one of the prosecutor's office departments without regard for whether or not the services were rendered to that department. For instance, the office manager's salary was charged to the CSE department for November and December 1994 for a total gross salary charge of \$5,212. Employee time sheets for that period indicate that \$986 should have been charged to CSE and the remaining \$4,226 should have been charged to the criminal department.

RCW 36.40.100 states in part:

The estimates of expenditures itemized and classified as required in RCW 36.40.040 and as finally fixed and adopted in detail by the board of county commissioners shall constitute the appropriation for the county for the ensuing fiscal year; and every county official shall be limited in the making of expenditures or the incurring of liabilities to the amount of the detailed appropriation items or classes respectively . . . .

Resolution No. 91-94, dated July 31, 1991, and reenacted annually, established the county line item budget stating:

. . . Current Expense Expenditure Budget is hereby adopted in the fully detailed appropriation items or classes as segregated in the budget.

RCW 43.09.210 states in part:

Separate accounts shall be kept for every appropriation or fund of a taxing or legislative body showing date and manner of each payment made therefrom . . . .

It appears that the former prosecuting attorney thought he needed certain goods and services to carry out the mission of his office even without budget authority.

We recommend the county require adherence with the budget.

2. County Offices Should Revise Daily Deposit Procedures

Our audit of the county noted that the county's system of internal control over the cash receipt process had the following weaknesses:

- More than one person used a cash drawer.
- Cash drawers were not regularly locked.
- Each cashier did not make a separate deposit.
- The person making the deposit did not separately identify the cash and checks received and deposited.

An internal control system consists of the plan of organization, methods, and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual prescribes internal controls that say:

Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished . . .

And

Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

The above segregation of duty problems developed over time. Locks on cash drawers, separate deposits, and separate accountability for cash and checks were not seen as necessary.

Without properly segregating the above duties between employees, the county has an increased risk of errors and irregularities occurring without being detected by management.

We recommend the county revise cash handling and depositing procedures to:

- Assign cash drawers to specific employees.
- Assure employees lock cash drawers not in use.
- Require each cashier to make out a deposit slip and perform the deposit.
- Require reconciliation of each deposit's checks and cash received to the checks and cash deposited with the bank.

3. Payroll Practices For The Current Expense Fund Should Be Improved

Our review of the county system of control over the payroll revealed that the county routinely pays employees before they perform the work by using estimated hours.

Specifically:

- The payroll process is initiated with the various heads of departments presigning semimonthly payroll worksheets that contain a mixture of actual time worked and estimated time. The worksheets contain six to nine days of actual time and seven to ten days of regular time, overtime, sick leave, and annual leave hours estimated through the end of the pay period.
- When the payroll period ends on the weekend, the employees receive their full pay warrant on the preceding Thursday evening or Friday even if they are scheduled to work on the following Saturday or Sunday. For example: Our test of 62 Current Expense Fund employees paid on Friday, July 29, 1994, for the pay period ending July 31, 1994, indicated that 38 of those employees still had time to work on Saturday, July 30, 1994, and on Sunday, July 31, 1994, in order to earn the whole pay warrant. Of those 38 employees paid in advance, 26 employees cashed their warrants on Friday, July 29, 1994.

An internal control system consists of the plan of organization, methods, and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports. In the case of the payroll the system of internal controls assures that payments are made only in return for services rendered.

The commissioners believed that payroll has to be performed in this fashion to meet state law and local requirements contained in negotiated agreements with the various employee groups. Commissioners also believed there was little risk of loss to the county by this practice. Additionally, the commissioners believed that the pay dates established in the December 1994 agreement with Local 874CH caused a hardship on employees. The need to revise payday to pay on the basis of actual time was an audit finding in the 1989-90 audit, Report No. 53897. That finding was not repeated in the 1991-92 audit, Report No. 55483, because of written assurances that pay dates would be revised in 1994 to pay on the basis of actual time worked.

By basing payroll on estimates of time the county cannot assure that payroll resources are safeguarded against waste, loss, and misuse, or that payments are only in return for services rendered. In addition, by basing payroll on estimates the county has to redo payroll information and revise that data for actual usage of regular time, overtime, sick leave, and annual leave hours.

We recommend the county revise its payroll practices to safeguard its resources including:

- Payroll worksheets should be for actual time worked through the time the department head signs the worksheet.
- Pay day should be scheduled for after the service has been provided.

4. The Bi-County Fair Revolving Account Should Be Properly Maintained

Our audit of the county noted that the system of internal control over operation of the fair's premium revolving account had the following weaknesses:

- All bank statements for the audit period were not retained and available at the time of our audit in October 1995, as required by the records retention law (Chapter 40.14 RCW).
- The account was not properly reconciled to the \$30,000 imprest balance.
- Premium's checks were not written in a timely manner. Fair staff issues premium checks up to 60 days following the close of the fair. Premium's checks are payments to individual fair exhibitors based on points awarded for their exhibit.
- The fair does not void uncashed checks in a timely manner.

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The Washington State Auditor establishes specific internal controls over the fair revolving fund in the *Budgeting, Accounting and Reporting System* (BARS) manual Vol. 1, Pt. 2, Ch. 12, page 7:

. . . At the end of the fair period, or within sixty days thereafter, the revolving fund for fair operations shall be closed and the authorized amount shall be remitted to the county treasurer and credited to the current expense or fair fund as appropriate.

The above fair revolving account problems came about because prior fair management did not make this a priority.

Without proper maintenance of the revolving account, the county has an increased risk of errors and irregularities occurring without being detected by management.

We recommend the county fair revise its revolving account practices including:

- Retain all bank statements in accordance with records retention requirements.
- Reconcile the account to the imprest balance.
- Write fair period premium checks in a timely manner.
- Close the premium revolving fund account within 60 days of the end of the fair.
- Void uncashed checks in a timely manner.

5. Bi-County Fair Management Should Have Clear Guidelines

Our audit of the county noted that the system of internal control over operation of the fair had the following weaknesses:

- a. The county did not have policies in the following areas:
  - How to establish the amount of and safeguarding of the damage deposit required of tenants.
  - How to account for repair costs on tenant leased facilities.
  - When to return the deposit to tenants.
  - When a standard lease or personal service contract language can be modified or deleted.
- b. The agreement between the fair association and the county does not clarify who is in charge during the fair.
- c. The fair has no consistent methodology to use in preparing the annual report to the Washington State Department of Agriculture. The report requires estimates to be made each year. The basis for those estimates needs to be documented and consistently applied.
- d. The fair has no reliable system to allocate parking lot fees between regular parking and overflow parking. The allocation is based on hand counts without verification.

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The above lack of policy and guidelines came about because fair management saw advantages in operating informally. They operated in this manner to better meet the interests of constituents.

Without clear policies and guidelines there is increased risk that applicable laws and regulations will not be adhered to and that errors and irregularities will occur and not be detected in a timely manner.

We recommend the county revise its management practices over the Bi-County Fair to assure compliance with applicable laws and regulations and to provide adequate internal controls.

6. The County Should Have Interlocal Agreements With Special Purpose Districts

The county provides payroll services to special purpose districts. Our audit revealed that the system of internal control over payroll services provided to special purpose districts (beyond the legal requirement) had the following weaknesses:

- The county supplies payroll services without an interlocal agreement to establish the need for payroll services, the length of time the service is needed, cost of the service, timing of the service, and responsibilities of each party.
- The county does not charge special purpose districts for the payroll service provided.
- The county's federal and state identification numbers are used instead of requiring each special purpose district to acquire their own identification number.

RCW 39.34.080 states in part:

Any one or more public agencies may contract with any one or more other public agencies to perform any governmental service, activity, or undertaking which each public agency entering into the contract is authorized by law to perform . . . .

RCW 36.22.090 states:

All warrants for the payment of claims against diking, ditch, drainage and irrigation districts and school districts of the second class, who do not issue their own warrants, as well as political subdivisions, within the county for which no other provision is made by law, shall be drawn and issued by the county auditor of the county wherein such subdivision is located upon vouchers properly approved by the governing body thereof.

RCW 43.09.210 states in part:

. . . All service rendered by, or property transferred from, one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for at its true and full value by the department, public improvement, undertaking, institution, or public service industry receiving the same, and no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another . . . .

The county auditor's office agreed to provide payroll services because the small districts did not have the resources to employ trained payroll staff.

Without an interlocal agreement the services supplied by the county and the cost of providing the services were not specifically identified. By using the county identification numbers the county is inappropriately perceived as the employer. An employer has permanent record keeping responsibility to the federal and state agencies that provide payroll benefits.

We recommend the county revise its payroll services practices to include:

- Entering into an interlocal agreement with all special purpose districts, for which

the county provides payroll services.

- Charging the special purpose districts for the additional payroll service provided.
- Requiring each special purpose district to acquire its own federal and state identification numbers.



**FRANKLIN COUNTY, WASHINGTON**  
**January 1, 1993 Through December 31, 1994**

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**Schedule Of Federal Findings**

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1. Internal Controls Over Personal Property In The Prosecutor's Office Should Be Improved

Our audit of the Franklin County Prosecutor's Office, which began in December 1994, revealed that the system of safeguarding and accounting for personal property needs improvement.

Specifically:

- There is no comprehensive system of accountability for large items of personal property. For example, a computer assigned to the prosecutor's office and valued at \$3,120.81 could not be located. The computer was purchased in November 1992 with Department of Social and Health Services grant money for specific purposes of the Child Support Enforcement Program. Supporting documentation for the purchase did not contain the computer's identification number. This program contained both federal and state money.
- There is no system of accounting for attractive items of personal property. For example, various chrome and brass office items purchased in December 1993 could not be located at the time of our audit in September 1995. The items missing included a \$120 brass calendar holder, a \$163 brass wastebasket, and a \$150 brass desk pad along with other brass and chrome items with a cost of less than \$100 each. The total cost of this purchase was \$919.42 and was signed as received by the former prosecuting attorney.
- Additionally, a leather briefcase purchased in October 1994 for \$208.69 was given to an employee as a going away present by the former county prosecutor.

45 CFR Part 74, which requires a review of internal controls, defines internal controls as:

"Internal controls" means the plan of organization and methods and procedures adopted by management to ensure that: (1) Resource use is consistent with laws, regulations, and policies; (2) Resources are safeguarded against waste, loss, and misuse; and (3) Reliable data are obtained, maintained, and fairly disclosed in reports.

The *Budgeting, Accounting and Reporting System* (BARS) manual issued by the State Auditor Vol. 1, Pt. 3, Ch. 7, page 7, states in part:

Accountability for fixed assets is required of all local governments, regardless of size.

The Washington State Constitution, Article VIII, Section 7, states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.

The Washington State Constitution, Article II, Section 25, prohibits granting retroactive compensation:

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered . . . .

RCW 36.32.213 requires an inventory of county purchased personal property:

It shall be the duty of the board of county commissioners to make an inventory of all personal property of said county . . . .

The county policy on control of personal property was that each department would maintain its own list and file that list with the county auditor. The office of the Franklin County Prosecutor had a personal property list, but failed to adequately track acquisitions and dispositions of personal property. Also, the former county prosecutor did not properly maintain his office's list. The going away present was thought of by the former prosecuting attorney as an item of nominal value and that items of nominal value would not be considered extra compensation in violation of the quoted constitutional prohibition.

The personal property accountability problems resulted in a reduction in federal grant funding to the county for an amount equal to the value of the computer which could not be located (\$3,120.81). The gift of the leather briefcase is an unconstitutional use of public money and property.

We recommend improved accounting for personal property including:

- Serial number identification,
- Identification of attractive items.

We further recommend the county establish guidelines on how to protect attractive items of personal property. We additionally recommend the county seek recovery of the above mentioned \$208.69 for the missing briefcase.